ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Lincoln National Corporation

Person to be contacted regarding this report:	Frederick J. Crawford Chief Financial Officer	RSSD: (For Bank Holding Companies)	
CPP Funds Received:	$950,000,000	Holding Company Docket Number: (For Thrift Holding Companies)	H-4566
CPP Funds Repaid to Date:	$950,000,000	FDIC Certificate Number: (For Depository Institutions)	27840-8
Date Funded (first funding):	7/10/2009	City:	Radnor
Date Repaid[1]:	6/30/2010	State:	Pennsylvania

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

☒	Increase lending or reduce lending less than otherwise would have occurred.	As a life insurance company we invest our capital in fixed income securities. These investments represent loans to businesses, real estate developers, municipalities, and consumers. Lincoln increased lending by approximately $2 billion from June 30, 2009 through December 31, 2009.

☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Investments/loans include public corporate bonds, municipal bonds (including Build America Bonds), commercial mortgages, commercial mortgage-backed securities, residential mortgage-backed securities, investments in the TALF program, and other private placement loans.
☒	Increase securities purchased (ABS, MBS, etc.).	Proceeds were contributed as capital to our primary life subsidiary (Lincoln National Life Insurance Company) and invested according to our insurance company investment policies and in diversified asset classes detailed above.
☐	Make other investments	
☐	Increase reserves for non-performing assets	

☐	Reduce borrowings	
☐	Increase charge-offs	
☐	Purchase another financial institution or purchase assets from another financial institution	
☒	Held as non-leveraged increase to total capital	The $950 million of CPP proceeds was contributed by Lincoln National Corporation (holding company) to Lincoln National Life Insurance Co. increasing capitalization and strengthening regulatory capital ratios.

What actions were you able to avoid because of the capital infusion of CPP funds?

The $950 million of CPP funding represented contingent capital to Lincoln recognizing significant economic uncertainty that existed during the depths of the financial market crisis in late 2008 and throughout 2009. In addition, the capital markets were "frozen" with financial service companies, including life insurance companies, having limited access to capital.

Lincoln took several steps during 2009 to improve our capital position by approximately $3 billion. Actions included expense initiatives, common stock dividend reduction, sale of non-core subsidiaries, and ultimately the issuance of public equity and debt along side the CPP funds. As a result of our capital actions, Lincoln reduced the amount of CPP funding ultimately accepted and viewed the $950 million CPP funding as important contingent capital should market conditions further deteriorate (Lincoln was approved for $2.5 billion in May, 2009).

The CPP capital infusion allowed Lincoln to avoid the following:

1. Additional cost reduction measures (job eliminations) in the face of uncertain economic conditions.

2. Retaining excess insurance company liquidity and therefore not fully investing/lending our life insurance capital and reserves into the long-term capital markets through the purchase of corporate bonds, municipal bonds, commercial mortgages, and residential mortgage-backed securities.

3. Reducing investment in our core business model, pulling back on providing important life and retirement products to our clients in order to preserve regulatory capital.

4. Contributing the CPP capital to our primary insurance company and benefiting overall financial flexibility supported our insurance company ratings and assisted in avoiding further downgrades.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The CPP funding provided Lincoln important contingent capital should economic conditions deteriorate. The CPP capital infusion allowed us to take the following actions:

1. The funding provided a level of contingent capital without execution risk, therefore we were afforded time to execute on a broad capital plan as the markets for our securities (debt and common stock) improved and as we negotiated and executed on the sale of two non-core subsidiaries for $750 million during 2009.

2. The CPP funds themselves ($950 million) were contributed as capital to our primary life subsidiary (Lincoln National Life Insurance Company) and were invested according to our insurance company investment policy. As of December 31, 2009, CPP funds were invested in domestic corporate bonds (63%), residential mortgage backed bonds (18%), municipal bonds (17%), and cash (2%).

3. In the early months of the market crisis during 2008, Lincoln began building short-term liquidity should the capital markets remain frozen. The CPP capital infusion allowed our insurance companies to return to a fully-invested position, releasing approximately $1 billion of emergency liquidity (exclusive of the CPP proceeds) to invest back into the US economy.   These investments helped to provide greater liquidity to previously frozen US capital markets, namely long-term corporate bonds, commercial real estate, Build America municipal bonds, residential mortgage-backed securities, the TALF asset-backed program, and assorted private placement securities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

No further actions were identified outside those noted in the above answer.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.